



Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Interim report

For the half year ended 31 July 2016

Lodged with the Australian Stock Exchange under Listing Rule 4.2

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Sigma will host a presentation to analysts and media on Thursday 8 September 2016 at 10.00am with all presentation material posted to Sigma's website (www.sigmaco.com.au)

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Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Results for Announcement to the Market

For the half year ended 31 July 2016
compared to prior half year period ended 31 July 2015

Highlights

- Reported EBIT up 15.5% and Underlying EBIT¹ up 17.0%
- Reported NPAT up 26.4% and Underlying NPAT¹ up 14.5%
- The investment to create the largest pharmacy footprint in Australia with over 700 pharmacies now operating under various Sigma brands has delivered approximately 20% market share of retail pharmacy sales to become a market leader
- CHS continues to deliver an expanded presence in Hospital Pharmacy and third party logistics
- Dividend per share lifted again to 2.5 cents to reward shareholders
- Upgrade to future earnings guidance for FY17 to 10%

The table below provides a summary of the Group's reported financial performance for the half year ended 31 July 2016

Group Financial Results – Half Year Summary

| Group Results | 31 July 2016 \$000 | 31 July 2015 \$000 | Change % |
|---|-----------------------|-----------------------|-------------|
| Sales revenue | 2,146,033 | 1,674,968 | Up 28.1% |
| EBITDA | 41,517 | 37,146 | Up 11.8% |
| Depreciation and amortisation | 4,220 | 4,851 | Down 13.0% |
| Earnings before interest and tax (EBIT) | 37,297 | 32,295 | Up 15.5% |
| Net profit after tax (NPAT) | 23,881 | 18,886 | Up 26.4% |
| Net profit after tax (NPAT) attributable to the Owners of the Company | 23,693 | 18,928 | Up 25.2% |
| EBIT/Sales (EBIT margin) | 1.74% | 1.93% | Down 10.0% |
| Basic EPS | 2.4c | 1.9c | Up 26.3% |
| Net tangible asset backing per ordinary share | 41.7c | 42.0c | Down 0.7% |

| <u>Dividends</u> | Amount per security | Franked amount per security at 30% tax rate |
|--|---------------------------|---|
| Interim dividend | 2.5c | 100% |
| Interim dividend - previous corresponding period | 2.0c | 100% |
| The record date for determining entitlements to the interim dividend | 21 September 2016 | |

¹Reconciliation of Reported vs Underlying Earnings

| | 31 July 2016 \$'000 | 31 July 2015 \$'000 |
|--|------------------------|------------------------|
| Reported EBIT | 37,297 | 32,295 |
| Add: | | |
| Litigation settlement expense before tax | 11,368 | - |
| Loss on recognition of contingent consideration from prior year acquisitions | - | 7,784 |
| Amortisation of other intangibles associated with prior year acquisitions | - | 940 |
| Share of EBIT of equity accounted investees | - | 294 |
| Underlying EBIT | 48,665 | 41,313 |
| Less: Non-controlling interests before interest and tax | 285 | (40) |
| Underlying EBIT attributable to owners of the company | 48,380 | 41,353 |

¹Reconciliation of Reported vs Underlying Earnings (continued)

| | 31 July 2016 \$'000 | 31 July 2015 \$'000 |
|--|------------------------|------------------------|
| Reported NPAT | 23,881 | 18,886 |
| Add: | | |
| Litigation settlement expense after tax | 7,958 | - |
| Loss on recognition of contingent consideration from prior year acquisitions | - | 7,784 |
| Amortisation of other intangibles associated with prior year acquisitions | - | 940 |
| Underlying NPAT | 31,839 | 27,610 |
| Less: Non-controlling interests | 188 | (42) |
| Underlying NPAT attributable to owners of the company | 31,651 | 27,652 |

Shareholder information

Shareholder's Calendar

| | |
|--------------------------|-------------------|
| Results announced | 8 September 2016 |
| Ex-dividend date | 20 September 2016 |
| Record date | 21 September 2016 |
| Interim dividend payment | 3 October 2016 |

Stakeholder Queries

Share Registry Enquires:

Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235
Australia

Telephone (within Australia): 1300 139 653

E-mail: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Company Enquiries:

Mark Hooper
Managing Director

Jeff Sells
Chief Financial Officer

Gary Woodford
Manager Investor Relations

PO Box 2890
Rowville VIC 3178
Australia

Telephone: 03 9215 9215
Fax: 03 9215 9188

The Half Year Report and other company information can be found on Sigma's website at www.sigmaco.com.au

SIGMA PHARMACEUTICALS LIMITED ABN 15 088 417 403

Registered Office: 3 Myer Place, Rowville VIC 3178



Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Interim report

For the half year ended 31 July 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 January 2016 and any public announcements made by Sigma Pharmaceuticals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

The Directors present their report on Sigma Pharmaceuticals Limited (the Company) and its controlled entities (the Group) for the half year ended 31 July 2016.

Directors

The names of the Directors of the Company during the half year and until the date of this report were:

Mr B Jamieson
Mr M Hooper
Mr D Bayes
Mr R Gunston
Mr D Manuel
Ms K Spargo
Ms C Bartlett – appointed 30 March 2016

Review of operations

Operating and Financial Review

Operations

The Group is the largest full line pharmaceutical wholesale and distribution business in Australia, delivering daily to pharmacies Australia wide, and has an expanding presence in the hospital pharmacy distribution market through its subsidiary Central Healthcare Pty Limited (CHS). In addition, the Group manages and promotes a range of over-the-counter Private and Exclusive products made available to brand member customers, as well as the Pharmacy Care Private Label range that is made available to all pharmacy customers, and provides an increasing portfolio of professional service programs made available through the Resource Centre.

The Group also owns Australia's largest pharmacy-led network, with over 700 members representing the brands Amcal, Guardian, PharmaSave, Chemist King and Discount Drugstores (DDS).

Financial Performance

The Group consolidated net profit after tax (NPAT) for the half year ended 31 July 2016 of \$23,881,000 was up 26.4% from the prior period (\$18,886,000).

| | 31 July 2016 | 31 July 2015 |
|---|---------------|---------------------------|
| | \$'000 | \$'000 |
| Reported NPAT | 23,881 | 18,886[^] |
| Add back: | | |
| Litigation settlement expense after tax | 7,958 | - |
| Loss on recognition of contingent consideration from prior year | - | 7,784 |
| Amortisation of other intangibles acquired in acquisition | - | 940 |
| Underlying NPAT | 31,839 | 27,610 |
| Less: Non-controlling interests | 188 | (42) |
| Underlying NPAT attributable to owners of the company | 31,651 | 27,652 |
| | | |
| | 31 July 2016 | 31 July 2015 |
| | \$'000 | \$'000 |
| Reported EBIT | 37,297 | 32,295 |
| Add back: | | |
| Litigation settlement expense before tax | 11,368 | - |
| Loss on recognition of contingent consideration from prior year | - | 7,784 |
| Amortisation of other intangibles acquired in acquisition | - | 940 |
| Share of profit/loss of equity accounted investees before tax | - | 294 |
| Underlying EBIT | 48,665 | 41,313 |
| Less: Non-controlling interests before interest and tax | 285 | (40) |
| Underlying EBIT attributable to owners of the company | 48,380 | 41,353 |

[^] includes share of profit/(loss) of equity accounted investees after tax of \$198,000.

Directors' Report

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

Financial Performance (continued)

Reported Earnings Before Interest and Tax (EBIT) of \$37,297,000 were up 15.5% on the prior period. The underlying EBIT attributable to owners of the company of \$48,380,000 was up 17.0% from \$41,353,000 reported in the prior period.

Both periods were impacted by significant one-off items. In the current period, expense of \$11,368,000 before tax (\$7,958,000 after tax) resulted from the insurance reimbursement relating to the 2012 class action settlement. In the prior period, there was a \$8,724,000 accounting adjustment required which consisted of additional contingent consideration of \$7,784,000 as a result of the acquisition of CHS and DDS performing ahead of expectations, and the amortisation of other intangibles recorded as part of these acquisitions of \$940,000.

Removing the impact of the one-off adjustments discussed above, the Underlying NPAT attributable to owners of the company was up 14.5% to \$31,651,000 (\$27,652,000 in the prior period).

Sales Revenue for the period reached \$2,146,033,000 an increase of 28.1% on the prior period of \$1,674,968,000. The increase in sales revenue was heavily influenced by the PBS listing of high cost Hepatitis C medications from March 2016. Adjusting for sales of Hepatitis C medications in the current period, Sales Revenue was up 7.8%, which was driven by a number of contributing factors including:

- Volume growth during the period of 5.2%
- A continued focus on supporting key customer groups including Sigma brands;
- Partly offset by the impact of reduced prices from the ongoing Pharmaceutical Benefits Scheme (PBS) price reform

Gross profit for the period increased by 12.4% to \$141,829,000, compared to \$126,160,000 in the prior period, with total gross margin of 6.6% reducing from 7.5% as a result of the sale of the high cost and low margin Hepatitis C medications. Excluding the influence of Hepatitis C sales, underlying gross margin increased to 7.8%.

Other revenue of \$39,164,000 was up 24.2% from \$31,541,000 in the prior period. Other revenue includes pharmacy brand member fees, other rebates, promotional and marketing income and data analytics services. The increase was predominantly due to continued improvement from strategic initiatives that diversify earnings away from regulated income sources.

Warehouse and delivery expenses reached \$64,203,000 for the current period, up 8.0% from the prior period. This increase mainly reflects volume growth of 5.2%, the full period operations of the expansion of the CHS business to now include Eastern Creek in NSW, and increases relating to the Enterprise Bargaining Agreement (EBA), partly offset by savings achieved through efficiency gains. Investment in the Group's key distribution centres is expected to drive future operational efficiencies. Construction commenced in May 2016 on the Group's site at Berrinba in Queensland, with scoping work underway to assess future requirements in other States.

Sales and Marketing expenses of \$35,138,000 for the period were up 22.0% from \$28,795,000 in the prior period. The increase largely reflects the investment in marketing support for our existing pharmacy brands, in addition to the impact of the increase in the provision for doubtful debtors.

Administration costs for the half year were up 17.4% to \$28,767,000 (\$24,513,000 in the prior period). The cost increase largely relates to an increased investment in business development and project management activities to support future growth.

Net interest expense of \$2,320,000 was up from \$1,499,000 in the prior period. The increase reflects a combination of a slightly higher average monthly debt position and a reduced net cash balance resulting from the payment of dividends and business investment activities.

Income tax expense of \$11,096,000 (effective tax rate of 31.7%) was down compared to \$12,108,000 (effective tax rate of 39.1%) in the prior period. The comparative was largely impacted by the one-off expenses noted above which were not deductible for tax purposes.

Directors' Report

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

Financial Position

The Group's net assets in the last six months decreased from \$553,654,000 to \$550,961,000.

The working capital balance has reduced by \$25,406,000 in the last six months. The Cash Conversion Cycle, being the net of Days Sales Outstanding, Days Inventory on Hand and Days Payable Outstanding, has decreased by 10 days for this current period. This closing balance has been influenced by the inclusion of the high cost Hepatitis C medication which can vary from month to month. Adjusting for Hepatitis C, the Cash Conversion Cycle improved by 4 days to 47 days, resulting from a continued focus on reducing average customer payment terms and maintaining an acceptable spread of Payables to Inventory days outstanding.

Working capital and capital management has continued to be a major focus of the Company. Underlying Return on Invested Capital* ("ROIC") for the current period was 15.9% compared to 15.2% at the end of the prior period, and has been achieved through a combination of increased earnings and a reduction in working capital.

The on market share buy-back program continued during the period, with an investment of \$1,647,000 to acquire and cancel 1,414,599 shares. Since the commencement of the on market share buy-back program in October 2012, the Company has invested a total of \$83,256,000 to acquire and cancel 113,350,105 of the Company's shares, representing 9.6% of issued capital before the program began. The buy-back has been conducted at an average price per share of \$0.73. The original program was implemented to buy back up to 10% of shares, the continuation of the program will be reviewed by the Board in the context of our ongoing business objectives.

* Underlying pre-tax ROIC is based on last twelve month earnings excluding one-off litigation settlement expense before tax.

Likely developments and expected results of operations

Consistent with our overarching vision and strategy, the Group continues to invest in our core business to drive improved operational efficiencies and reduce our reliance on income derived from distributing PBS-listed medicines. This is also complemented by a proactive business development program.

The Group is currently constructing a new distribution centre on owned land in Berrinba in South East Queensland. Construction on the site commenced in May 2016 and will continue through the remainder of the current year and into the following year, with the site anticipated to be operational in the last quarter of calendar year 2017.

The Group has also implemented a number of business programs and initiatives to improve the operational performance of our customers and the Group. The Group remains confident these strategic initiatives will continue to incrementally drive business improvement and growth for the medium and long term.

Material Risks

The Federal Government entered into a Sixth Community Pharmacy Agreement with the Pharmacy Guild of Australia which provides wholesalers with the flexibility to charge pharmacy for service delivery beyond the new CSO standards. This amendment may potentially provide risk mitigation to the Group to help offset the impact of ongoing PBS price reform on revenue in the medium term.

In addition, the Federal Government has commenced a Review of Pharmacy Remuneration and Regulation (PRRR). The PRRR is a far reaching examination of the pharmacy operating environment, from manufacturer, wholesaler, pharmacy and consumer. The PRRR is due to report its findings to the Federal Health Minister in March 2017, with any recommended changes out of the review expected to form the basis of the negotiation for the Seventh Community Pharmacy Agreement in 2020. To the extent that the PRRR recommends improving the operating environment for wholesalers, such recommendations can be enacted by the Health Minister prior to 2020.

Other than as highlighted above, there has not been a material change in the Group's risk profile since 31 January 2016. Details of the Group risk are outlined in the 31 January 2016 Directors' Report.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding of amounts

The Company is a Company of the kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Events subsequent to balance date

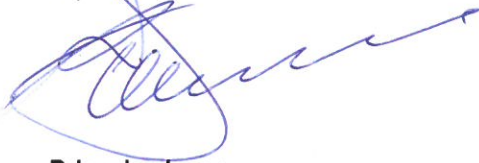
Subsequent to 31 July 2016 the following events and transactions have occurred:

Dividend

Since the end of the half year, the Board of Directors have resolved to pay a final dividend of 2.5 cents per share fully franked, to be paid on 3 October 2016 to shareholders on the register at the ex-dividend date of 20 September 2016. The total amount payable is \$26,950,647.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 July 2016 that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years not otherwise disclosed.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act* 2001, dated 7 September 2016.



Brian Jamieson
Chairman



Mark Hooper
Managing Director

Melbourne,
7 September 2016

The Board of Directors
Sigma Pharmaceuticals Limited
3 Myer Place
Rowville VIC 3178

7 September 2016

Dear Board Members

Sigma Pharmaceuticals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sigma Pharmaceuticals Limited.

As lead audit partner for the review of the financial statements of Sigma Pharmaceuticals Limited for the period ended 31 July 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants

Condensed consolidated statement of profit or loss and other comprehensive income

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

| | Note | 31 July 2016 \$'000 | 31 July 2015 \$'000 |
|--|------|---------------------------|---------------------------|
| Sales revenue | | 2,146,033 | 1,674,968 |
| Cost of goods sold | | (2,004,204) | (1,548,808) |
| Gross profit | | 141,829 | 126,160 |
| Other revenue and income | | 39,164 | 31,541 |
| Warehousing and delivery expenses | | (64,203) | (59,463) |
| Sales and marketing expenses | | (35,138) | (28,795) |
| Administration expenses | | (28,767) | (24,513) |
| Litigation settlement expense | 3 | (11,368) | - |
| Loss on recognition of contingent consideration from prior year acquisitions | 3 | - | (7,784) |
| Depreciation and amortisation | 3 | (4,220) | (3,911) |
| Amortisation of other intangibles associated with prior year acquisitions | 3 | - | (940) |
| Profit before financing costs (EBIT) | | 37,297 | 32,295 |
| Financial income | | 1,016 | 650 |
| Financial expense | | (3,336) | (2,149) |
| Net financing expense | | (2,320) | (1,499) |
| Share of profit of equity accounted investees, net of tax | | - | 198 |
| Profit before income tax | 3 | 34,977 | 30,994 |
| Income tax expense | | (11,096) | (12,108) |
| Profit for the half year | | 23,881 | 18,886 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Net change in fair value of financial asset | | 17 | - |
| Exchange differences on translation of foreign operations | | 67 | (86) |
| Income tax relating to components of other comprehensive income | | (25) | 26 |
| Other comprehensive profit/(loss) for the half year, net of tax | | 59 | (60) |
| Total comprehensive income for the half year | | 23,940 | 18,826 |
| Profit for the half year attributable to: | | | |
| Owners of the Company | | 23,693 | 18,928 |
| Non-controlling interests | | 188 | (42) |
| Profit for the half year | | 23,881 | 18,886 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 23,752 | 18,868 |
| Non-controlling interests | | 188 | (42) |
| Profit for the half year | | 23,940 | 18,826 |
| Earnings per share (EPS) | | | |
| | | Cents | Cents |
| Basic EPS | | 2.4 | 1.9 |
| Diluted EPS | | 2.2 | 1.7 |

Notes appearing on pages 14 to 20 are to be read as part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position

Sigma Pharmaceuticals Limited

As at 31 July 2016

| | Note | 31 July 2016 \$'000 | 31 January 2016 \$'000 |
|--------------------------------------|------|---------------------------|------------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 40,766 | 17,407 |
| Trade and other receivables | | 714,790 | 618,248 |
| Inventories | | 337,639 | 288,626 |
| Prepayments | | 5,327 | 5,087 |
| Total current assets | | 1,098,522 | 929,368 |
| Non-current assets | | | |
| Trade and other receivables | | 5,425 | 9,185 |
| Property, plant and equipment | 5 | 62,236 | 58,540 |
| Goodwill and other intangible assets | 6 | 101,571 | 101,538 |
| Other financial assets | | 667 | 650 |
| Net deferred tax assets | | 11,022 | 9,370 |
| Total non-current assets | | 180,921 | 179,283 |
| Total assets | | 1,279,443 | 1,108,651 |
| Current liabilities | | | |
| Bank overdraft | | - | 73,014 |
| Trade and other payables | | 608,590 | 446,112 |
| Borrowings | 7 | 95,014 | 11 |
| Income tax payable | | 370 | 12,808 |
| Provisions | | 16,069 | 14,350 |
| Deferred income | | 2,875 | 2,781 |
| Total current liabilities | | 722,918 | 549,076 |
| Non-current liabilities | | | |
| Other payables | | 250 | 295 |
| Borrowings | 7 | 1,023 | 1,028 |
| Provisions | | 3,894 | 3,989 |
| Deferred income | | 397 | 609 |
| Total non-current liabilities | | 5,564 | 5,921 |
| Total liabilities | | 728,482 | 554,997 |
| Net assets | | 550,961 | 553,654 |
| Equity | | | |
| Contributed equity | 8 | 1,243,840 | 1,238,394 |
| Reserves | | 8,799 | 10,648 |
| Accumulated losses | | (703,368) | (696,890) |
| Non-controlling interest | | 1,690 | 1,502 |
| Total equity | | 550,961 | 553,654 |

Notes appearing on pages 14 to 20 are to be read as part of these condensed consolidated interim financial statements

Condensed consolidated statement of cash flows

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

| | Note | 31 July 2016 \$'000 | 31 July 2015 \$'000 |
|--|------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 2,302,571 | 1,816,339 |
| Payments to suppliers and employees | | (2,228,127) | (1,798,135) |
| Payment of litigation claim | 3 | (11,368) | - |
| Interest received | | 1,016 | 650 |
| Interest paid | | (3,467) | (2,148) |
| Income taxes paid | | (25,994) | (20,690) |
| Net cash inflow/(outflow) from operating activities | | 34,631 | (3,984) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment and software | 5,6 | (8,095) | (2,805) |
| Proceeds from sale of property, plant and equipment | | 10 | - |
| Net cash outflow from investing activities | | (8,085) | (2,805) |
| Cash flows from financing activities | | | |
| Net proceeds of borrowings | | 94,998 | 59,852 |
| Payments for shares bought back | 8(a) | (1,647) | (9,942) |
| Purchase of Sigma shares for employees | 8(b) | (2,472) | (3,950) |
| Proceeds from employee shares exercised | 8(b) | 9,306 | 2,226 |
| Receipts from other loans receivable | | - | 923 |
| Dividends paid | 4 | (30,361) | (30,969) |
| Net cash inflow from financing activities | | 69,824 | 18,140 |
| Net increase in cash and cash equivalents | | 96,370 | 11,351 |
| Cash and cash equivalents held at the beginning of the half year | | (55,607) | 34,284 |
| Effects of exchange rate changes on cash and cash equivalents | | 3 | (5) |
| Cash and cash equivalents at the end of the half year | | 40,766 | 45,630 |

Notes appearing on pages 14 to 20 are to be read as part of these condensed consolidated interim financial statements

Condensed consolidated statement of changes in equity

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

| | Note | Contributed equity | | Reserves \$'000 | Accumulated losses \$'000 | Non- controlling interest \$'000 | Total equity \$'000 |
|--|------|-----------------------------|------------------------------|--------------------|---------------------------------|---|------------------------|
| | | Issued capital \$'000 | Treasury shares \$'000 | | | | |
| Balance at 1 February 2015 | | 1,315,288 | (59,822) | 20,386 | (702,850) | (1) | 573,001 |
| Profit for the half year | | - | - | - | 18,928 | (42) | 18,886 |
| Other comprehensive income/(loss) | | - | - | (60) | - | - | (60) |
| Total comprehensive income for the half year | | - | - | (60) | 18,928 | (42) | 18,826 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Movements in: | | | | | | | |
| - Employee shares exercised | 8(b) | - | 2,226 | - | - | - | 2,226 |
| - Share-based remuneration plans | | - | - | 1,278 | - | - | 1,278 |
| - Contributed equity | 8 | (1,115) | 1,115 | - | - | - | - |
| Share buy-back | 8 | (9,942) | (3,950) | - | - | - | (13,892) |
| Dividends paid | 4 | - | - | 1,700 | (32,669) | - | (30,969) |
| Dividends applied to equity compensation plan | | - | - | (385) | - | - | (385) |
| | | (11,057) | (609) | 2,593 | (32,669) | - | (41,742) |
| Balance at 31 July 2015 | | 1,304,231 | (60,431) | 22,919 | (716,591) | (43) | 550,085 |
| Balance at 1 February 2016 | | 1,304,146 | (65,752) | 10,648 | (696,890) | 1,502 | 553,654 |
| Profit for the half year | | - | - | - | 23,693 | 188 | 23,881 |
| Other comprehensive income/(loss) | | - | - | 59 | - | - | 59 |
| Total comprehensive income for the half year | | - | - | 59 | 23,693 | 188 | 23,940 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Movements in: | | | | | | | |
| - Employee shares exercised | 8(b) | - | 9,306 | - | - | - | 9,306 |
| - Share-based remuneration plans | | - | - | 1,256 | - | - | 1,256 |
| - Tax on shares allocated to employees | | - | - | (783) | - | - | (783) |
| Share buy-back | 8 | (1,647) | (2,472) | - | - | - | (4,119) |
| Dividends paid | 4 | - | - | 1,926 | (32,287) | - | (30,361) |
| Dividends applied to equity compensation plan | | - | - | (1,932) | - | - | (1,932) |
| Reclassification of settled and expired share based transactions | | - | 259 | (2,375) | 2,116 | - | - |
| | | (1,647) | 7,093 | (1,908) | (30,171) | - | (26,633) |
| Balance at 31 July 2016 | | 1,302,499 | (58,659) | 8,799 | (703,368) | 1,690 | 550,961 |

Notes appearing on pages 14 to 20 are to be read as part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

1. Basis of financial report preparation and significant accounting policies

Statement of compliance

The interim report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The interim report does not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report, together with any public announcements made by Sigma Pharmaceuticals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Company of the kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Management has made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are evaluated on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 31 January 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to AASBs and the new interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

| Standard/Interpretation | Summary of the requirements |
|---|--|
| AASB 1057 <i>Application of Australian Accounting Standards</i> , AASB 2015-9 <i>Amendments to Australian Accounting Standards – Scope and Application Paragraphs</i> | This Standard effectively moved Australian specific application paragraphs from each Standard into a combined Standard. The Standard has no impact on the application of individual standards. |
| AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i> | Amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in a joint operation where the operation constitutes a business. |

Notes to the condensed consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

Amendments to AASBs and the new interpretation that are mandatorily effective for the current reporting period (continued)

| | |
|---|---|
| AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i> | Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. |
| AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> | Amends AASB 127 <i>Separate Financial Statements</i> , to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: <ul style="list-style-type: none">• at cost,• in accordance with AASB 9 <i>Financial Instruments</i>, or• using the equity method as described in AASB 128 <i>Investments in Associates and Joint Ventures</i>. The accounting policy option must be applied for each category of investment. |
| AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i> | Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle. Key amendments include: <ul style="list-style-type: none">• AASB 5 – Change in methods of disposal;• AASB 7 – Servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements;• AASB 119 – Discount rate: regional market issue; and• AASB 134 – Disclosure of information 'elsewhere in the interim financial report'. |
| AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i> | Amends AASB 101 <i>Presentation of Financial Statements</i> to provide clarification regarding the disclosure requirements in AASB 101. Includes narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements. |
| AASB 2015-3 <i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i> | Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. |

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

2. Segment information

Information on segments

AASB 8 *Operating Segments* requires a management approach under which segment information is presented on the same basis as that used for internal reporting provided to the Chief Operating Decision Makers (CODM) of the Group. The CODM have been identified as the executive team consisting of our Chief Executive Officer and Managing Director (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO).

For the period ended 31 July 2016 management determined that based on the structure of reports provided to the CODM and used by them for decision making and resource allocation, that the Group operates only the Healthcare segment.

The aggregation criteria under AASB 8 *Operating segments* has been applied to include the results of Central Healthcare Group, Discount Drugstores Pty Ltd and NostraData Pty Ltd within the Healthcare segment. Central Healthcare Group, Discount Drugstores Pty Ltd and NostraData Pty Ltd are separate cash generating units for impairment testing purposes.

The Healthcare segment represents the traditional full line pharmacy wholesale business, retail and private label product ranges.

Geographical segments

The Group operates predominantly within Australia.

Notes to the condensed consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

Information on major customers

Revenue from one customer group contributes 36.4% of the Group's revenues (2015: 38.0%). This customer has a long standing relationship with Sigma and a service contract is in place until December 2018. Sales revenue for the half year ended 31 July 2016 was \$781m (2015: \$634m).

3. Profit for the half year

| | Note | 31 July 2016 \$'000 | 31 July 2015 \$'000 |
|--|------|---------------------------|---------------------------|
| Profit before income tax expense has been determined after including: | | | |
| Write down of inventories to net realisable value | | 2,383 | 1,259 |
| Loss on disposal of property, plant and equipment and intangible assets | | 191 | 23 |
| Net impairment loss on trade debtors | | 1,579 | 341 |
| Litigation settlement expense | | 11,368 | - |
| Loss on recognition of contingent consideration from prior year acquisitions | | - | 7,784 |
| Depreciation and amortisation: | | | |
| Depreciation of property, plant and equipment | 5 | 2,755 | 2,744 |
| Amortisation of intangible assets | 6 | 1,465 | 1,167 |
| Amortisation of other intangibles associated with prior year acquisitions | 6 | - | 940 |
| Total depreciation and amortisation | | 4,220 | 4,851 |

4. Dividends

| | 31 July 2016 \$'000 | 31 July 2015 \$'000 |
|---|---------------------------|---------------------------|
| Dividends paid during the half year | | |
| Dividends recognised by the parent entity | 32,383 | 32,802 |
| Less: dividends paid on shares held by Sigma Employee Share Plan | (96) | (133) |
| | 32,287 | 32,669 |
| Less: dividends paid on shares issued under the Sigma Employee Share Plan | (1,926) | (1,700) |
| Dividends paid by the group | 30,361 | 30,969 |

Since the end of the half year a fully franked interim dividend of 2.5 cents per share has been declared by the Directors (See Note 10).

Notes to the condensed consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

5. Property plant and equipment

| | Land and buildings \$'000 | Plant and equipment \$'000 | Total \$'000 |
|-------------------------------------|---------------------------------|----------------------------------|-----------------|
| At 31 January 2016 | | | |
| Cost | 35,193 | 74,374 | 109,567 |
| Accumulated depreciation | (8,179) | (42,848) | (51,027) |
| Net book amount | 27,014 | 31,526 | 58,540 |
| Half year ended 31 July 2016 | | | |
| Opening net book amount | 27,014 | 31,526 | 58,540 |
| Additions | 2,716 | 3,936 | 6,652 |
| Disposals | (32) | (169) | (201) |
| Depreciation | (245) | (2,510) | (2,755) |
| Closing net book amount | 29,453 | 32,783 | 62,236 |
| At 31 July 2016 | | | |
| Cost | 37,850 | 77,915 | 115,765 |
| Accumulated depreciation | (8,397) | (45,132) | (53,529) |
| Net book amount | 29,453 | 32,783 | 62,236 |

Notes to the condensed consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

6. Goodwill and intangible assets

| | Goodwill | Brand names | Software | ^Other intangibles | Total |
|-------------------------------------|---------------|---------------|--------------|--------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 31 January 2016 | | | | | |
| Cost | 79,176 | 25,535 | 13,654 | 940 | 119,305 |
| Accumulated amortisation | - | (11,150) | (5,677) | (940) | (17,767) |
| Net book amount | 79,176 | 14,385 | 7,977 | - | 101,538 |
| Half year ended 31 July 2016 | | | | | |
| Opening net book amount | 79,176 | 14,385 | 7,977 | - | 101,538 |
| Additions | - | - | 1,443 | - | 1,443 |
| Foreign currency movements | - | 55 | - | - | 55 |
| Amortisation | - | (242) | (1,223) | - | (1,465) |
| Closing net book amount | 79,176 | 14,198 | 8,197 | - | 101,571 |
| At 31 July 2016 | | | | | |
| Cost | 79,176 | 25,734 | 15,097 | 940 | 120,947 |
| Accumulated amortisation | - | (11,536) | (6,900) | (940) | (19,376) |
| Closing net book amount | 79,176 | 14,198 | 8,197 | - | 101,571 |

^Other Intangibles includes customer relationship and supplier contracts

Impairment of goodwill

Goodwill is not amortised and is tested at least annually for impairment. At the end of the reporting period, the Group assesses whether there is any indication of impairment and no indication was evident at balance date.

Impairment of other intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. At the end of each reporting period, the Group assesses whether there is any indication that intangible assets may be impaired. No such indication was evident at balance date.

Subsidiary acquisition accounting

As reported in the annual financial report for the financial year ended 31 January 2016, on 12 November 2015 the Group acquired control of NostraData Pty Ltd when its 51% non-voting ordinary shares held in the Company were converted to voting ordinary shares. The results of NostraData Pty Ltd were consolidated into the Group from that date. Prior to Sigma gaining control, the investment was recorded as an equity accounted investment.

The fair value of assets and liabilities acquired and goodwill recorded from the acquisition were provisionally reported in the annual financial report for the financial year ended 31 January 2016. Since this date the acquisition accounting for Nostra Data Pty Ltd has been completed and there is no change from the results reported at that time.

Notes to the condensed consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

7. Borrowings

| | 31 July 2016 \$'000 | 31 January 2016 \$'000 |
|-------------------------------------|---------------------------|------------------------------|
| Current | | |
| Secured loans | 95,014 | 11 |
| Unsecured loans | - | - |
| Total current borrowings | 95,014 | 11 |
| Non-current | | |
| Secured loans | 55 | 63 |
| Unsecured loans | 968 | 965 |
| Total non-current borrowings | 1,023 | 1,028 |

Westpac Receivables Purchase Agreement

The Company by executing the "Receivables Purchase Agreement dated 28 January 1999" ("RPA") and amended as part of the "Sigma Amendment Agreement No. 8" dated 5 June 2014, has a debtor securitisation facility with Westpac Banking Corporation, expiring on 6 February 2017. The debtor securitisation facility is \$250,000,00 and is split into an overdraft facility of \$155,000,000 and a revolving facility of \$95,000,000.

The facility is subject to interest cover and gearing covenants and provides the Company with additional funding flexibility to meet its working capital requirements. Using a pool of its eligible receivables as security, Sigma can draw down funds provided through advances from Westpac pursuant to the RPA. Repayment of the Westpac advances occurs from the collection of the underlying receivables.

The facility imposes rights and obligations on Sigma with respect to the quality and maintenance of its debtor book, collection of receivables, settlement and reporting to Westpac. As at the half year ended 31 July 2016, Sigma has complied with its obligations under the facility. The interest rate applicable to the facility is variable and Sigma does not hedge the interest rate.

Sigma rewards structure

The consolidated group operates a debtor securitisation program. This program allows Sigma to receive cash in advance due to the fact that substantially all the risks and rewards of ownership of debtors within the program are transferred to a third party. Accordingly, the debtors are recorded off balance sheet. The cost associated with this program is treated as "sales and marketing expenses" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

Other secured loan

At 31 July 2016, interest bearing car loans amounted to \$69,000, of which \$14,000 (31 January 2016: \$11,000) has been classified as current and \$55,000 (31 January 2016: \$63,000) has been classified as non-current. The carrying amount of the other secured loan is a reasonable approximation of fair value.

Unsecured loans

As part of Member Benefits Australia Pty Ltd acquisition, the Group acquired a non interest bearing loan. The balance outstanding as of 31 July 2016 is \$65,000 (31 January 2016: \$62,000) and classified as non-current.

The Group acquired a non interest bearing loan as part of NostraData Pty Ltd acquisition. The balance outstanding as of 31 July 2016 is \$903,000 (31 January 2016: \$903,000) and classified as non-current.

The carrying amount of the unsecured loans at 31 July 2016 is a reasonable approximation of fair value.

Notes to the condensed consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2016

8. Contributed equity

| | 2016 | 2015 | 2016 | 2015 |
|---|--------------------|---------------------|----------------|-----------------|
| (a) Movement in ordinary share capital during the half year | Shares | Shares | \$'000 | \$'000 |
| Share buy-back | (1,414,599) | (12,510,122) | (1,647) | (9,942) |
| Shares forfeited under the Employee loan funded share plans | - | - | - | (1,115) |
| | (1,414,599) | (12,510,122) | (1,647) | (11,057) |
| | | | | |
| (b) Movement in treasury share capital during the half year | Shares | Shares | \$'000 | \$'000 |
| Shares bought on market | (2,100,000) | (5,000,000) | (2,472) | (3,950) |
| Employee shares exercised | 15,986,806 | 4,333,515 | 9,306 | 2,226 |
| Shares forfeited under the Employee loan funded share plans | - | - | - | 1,115 |
| Reclassification of settled and expensed share based transactions | - | - | 259 | - |
| | 13,886,806 | (666,485) | 7,093 | (609) |
| | | | | |
| (c) Total movement in contributed equity | | | 5,446 | (11,666) |

9. Contingent liability

Other claims

The Group is exposed to various claims and litigations in the normal course of business. The Group assesses each claim to determine any potential liability to the Group on a case by case basis.

10. Events subsequent to balance date

Dividends

Since the end of the financial year, the Board of Directors have resolved to pay a final dividend of 2.5 cents per share fully franked, to be paid on 3 October 2016 to shareholders on the register at the ex-dividend date of 20 September 2016. The total amount payable is \$26,950,647.

Other than the matters discussed above, there has not been any other matter or circumstance that has arisen since 31 July 2016 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years not otherwise disclosed.

Directors' Declaration

Sigma Pharmaceuticals Limited

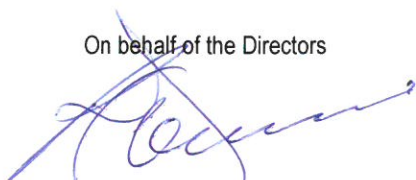
For the half year ended 31 July 2016

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

- a) the financial statements and notes set out on pages 10 to 20 are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 July 2016 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date, and
- b) there are reasonable grounds to believe that Sigma Pharmaceuticals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors, pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Brian Jamieson
Chairman



Mark Hooper
Managing Director

Melbourne
7 September 2016

Independent Auditor's Review Report to the members of Sigma Pharmaceuticals Limited

We have reviewed the accompanying half-year financial report of Sigma Pharmaceuticals Limited, which comprises the consolidated statement of financial position as at 31 July 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 July 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sigma Pharmaceuticals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sigma Pharmaceuticals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sigma Pharmaceuticals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 July 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants
Melbourne, 7 September 2016